

Mineral Operations

Managed by Kraton Management Company
1700 South Assembly Street, Spokane, WA 99224-2121
Voice: 509.340.5368 Fax: 509.340.5523
Email: don.kennedy@farm-credit.com

SENATE NATURAL RESOURCES
EXHIBIT NO. 7
DATE 1-15-07
BILL NO. SB 26

January 11, 2007

Montana Senate Committee on Natural Resources and Energy
Hearing Scheduled for Monday, January 15, 2007.

Northwest Farm Credit Services opposes SB 26 (Severed Mineral Registry Law).

Northwest Farm Credit Services ("Northwest FCS") is an agricultural lending cooperative serving customer owners throughout the State of Montana. Northwest FCS also owns severed mineral interests in the State of Montana. Various percentages of undivided perpetual mineral interests under approximately 1.1 million gross acres are owned and managed by Northwest FCS.

The documentation requirements and fees associated with SB 26 are onerous on mineral owners who own numerous interests throughout the state. Northwest FCS would be required to take additional steps in order to maintain its mineral interests which translate into increased expenses. Further SB 26 contains continued compliance requirements that require mineral owners to keep additional records in order to file updates. Again these requirements and additional fees are burdensome to mineral owners.

It is common that surface owners do not own the underlying mineral rights; either the mineral rights were previously reserved and unavailable for purchase, the surface owner chose not to purchase the mineral rights when available for purchase, or the surface owner sold the mineral rights. In our opinion, surface owners should be required to diligently search for mineral owners in order to provide direct notice. Surface owners can utilize existing statutes for unclaimed property in cases where mineral owners can not be found and mineral income is being generated.

Finally, this bill would not apply to the largest owners of severed mineral interests, which include the state and federal governments. Private mineral interest owners such as Northwest FCS would carry the burden to finance SB 26.

Presented by:
Bob Gilbert, Montana Govt. Affairs
Northwest Farm Credit Services
Helena, Montana 406 442 9364